



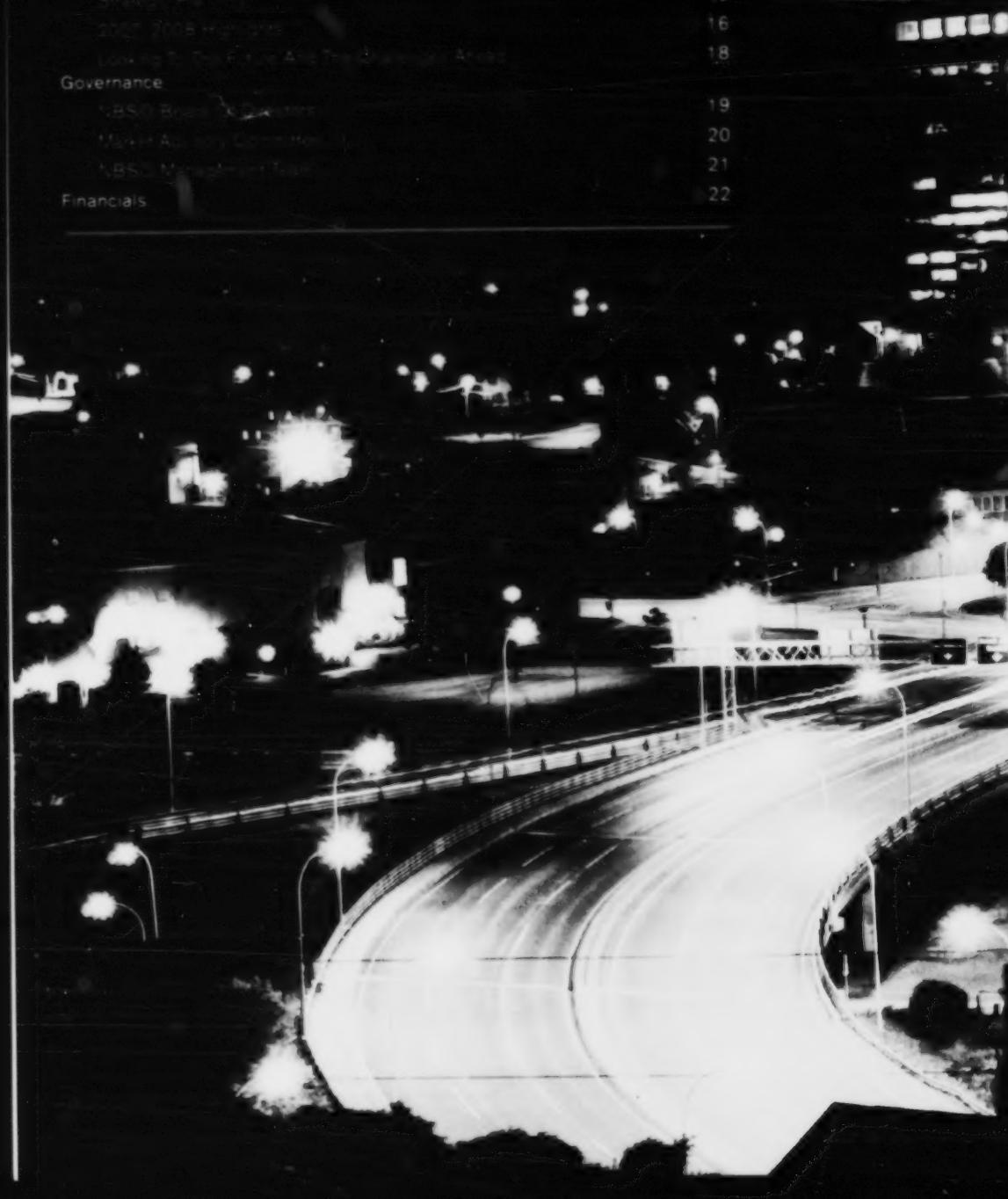
**NBSO
ERNB**

2007-2008



New Brunswick System Operator

Who We Are And What We Do	4
Message From The Chairman	6
Message From The President And CEO	7
New Brunswick Electricity Market At A Glance	8
The Year In Review	
Keeping The Lights On	9
Meeting The Lights Will Be Difficult	10
Market Development And Services	11
Regulation	12
Infrastructure And Systemic Safety	13
And Rates	14
Strategic Plan	15
2007-2008 Horizons	16
Looking To The Future And The Challenges Ahead	18
Governance	
NBSC Board of Directors	19
Mark H. Avery Committee	20
NBSC Management Team	21
Financials	22

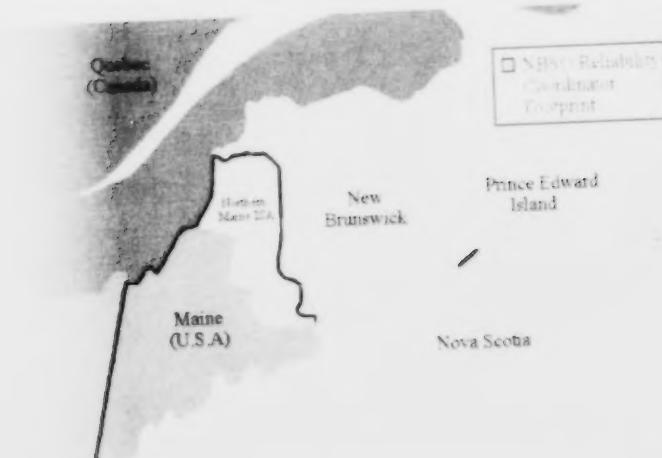




The New Brunswick System Operator (NBSO) is a not-for-profit independent corporation whose primary responsibilities are to ensure the reliability of the electrical system and to facilitate the development and operation of a competitive electricity market in New Brunswick.

The NBSO is one of 17 Reliability Coordinators in North America. As Reliability Coordinator for the Maritimes Area, NBSO is the authority responsible for the operation of the Bulk Power System in New Brunswick, Nova Scotia, Prince Edward Island, and a portion of northeastern Maine.

NBSO is the Balancing Authority for New Brunswick, Prince Edward Island, and Northern Maine and the transmission provider for New Brunswick. NBSO provides load following and regulation service to the system in order to supply in-province customer load while maintaining scheduled flows on interconnections within established limits. These limits are set out in interconnection agreements with neighbouring system operators.

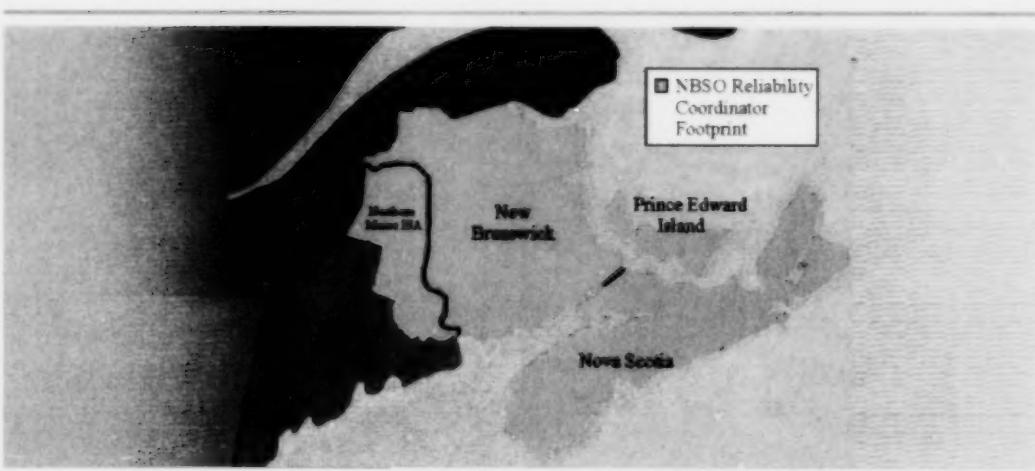


WHO WE ARE AND WHAT WE DO

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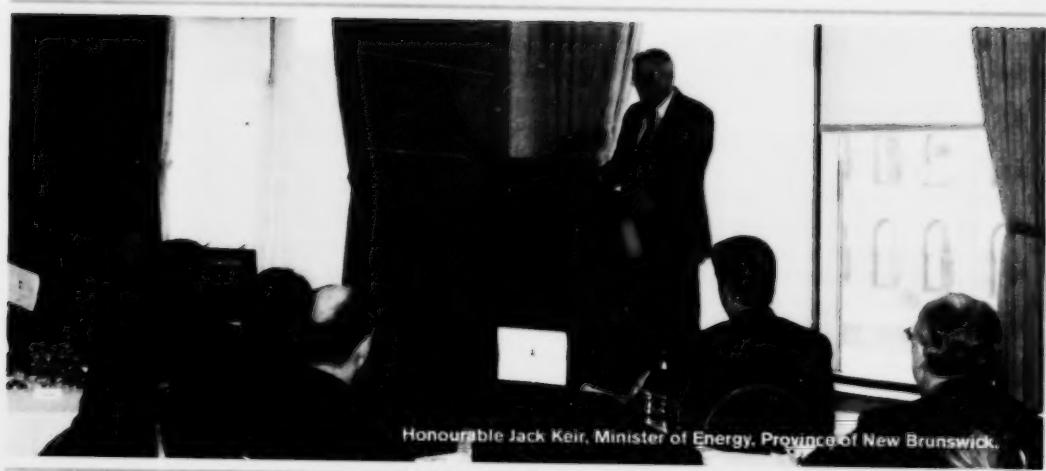
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Since the opening of the New Brunswick Electricity market in 2004, the NBSO has continued to facilitate the operation of the competitive market through continuous improvements in market processes and market management systems and by regular communications with stakeholders and interested parties.



Honourable Jack Keir, Minister of Energy, Province of New Brunswick.



Our last annual report noted the potential for renewable energy in New Brunswick, and the critical need to harness clean energy sources to reduce harmful greenhouse gas emissions. Since that time, rapid increases in the cost of fossil fuels have confirmed the importance - and heightened the urgency - of developing alternate sources of electricity which reduce harmful emissions and mitigate the impacts of rising fuel costs.

New Brunswick is particularly well positioned for this challenge. The province's wind resources are estimated to be equivalent to more than 43,000 MW of electricity. With currently available technology, up to 4,500 MW of this energy is commercially viable, and that figure is expected to grow as technology improves. Combining this capability with the second nuclear reactor proposed for Point Lepreau, New Brunswick has the potential to deliver over 5,500 MW of clean energy into the region's electricity system.

This magnitude of clean energy is more than enough to meet New Brunswick's needs. At this scale, wind and nuclear represent an unprecedented opportunity for New Brunswick, the Maritimes and New England to improve environmental performance, secure our energy future and save billions of dollars in fuel costs under a "win-win" scenario that delivers benefits to all stakeholders.

New expertise and large investments are required to pursue these opportunities: it is important that we create "renewable - friendly" market rules and evolve the bulk electricity system to attract the necessary capital and know-how. Seen in this light, it is encouraging that private sector firms are now investing in the feasibility studies for expanded nuclear generation and are already developing 400 MW of wind generation to fulfill the province's current Renewable Portfolio Standard.

To fully realize the benefits of clean energy for the northeast region, it is important that we work closely with stakeholders across eastern Canada and New England, including regulators, system operators, investors and developers. Wind energy in particular will benefit from more robust interconnections, enhanced electricity trading systems, expansion of balancing areas and alignment of operating practices across eastern Canada and New England.

With the size of the wind and nuclear energy opportunities now established, the focus in 2008 will be on mapping a path to capitalize on that potential. As we turn our attention to the next phase of clean energy development, I'd like to acknowledge Bill Marshall, the first CEO of the NBSO, who earlier this year announced his intention to retire in 2008. I'd like to thank Bill and wish him all the best in his retirement.

For the team at the NBSO, 2008 promises to be an exciting period in the growth of clean energy as we build on the accomplishments of the past year. We're looking forward to it.

A handwritten signature in dark ink, appearing to read "Curtis Howe".

Curtis Howe

Chairman

Board of Directors



The NBSO has established itself as the primary planning and operating authority in Atlantic Canada. As Reliability Coordinator (RC) of the Maritimes Area, it ensures delivery of secure high quality electricity to the region within all the standards and criteria specified by the North American Electric Reliability Corporation (NERC) and the Northeast Power Coordinating Council Inc. (NPCC). Through the Maritimes Planning Committee, participation with the ISO-NE Planning Advisory Committee, System Impact Studies for proposed projects, wind integration studies and joint interconnection studies with neighbouring utilities, NBSO coordinates regional transmission studies to ensure adequate future delivery capabilities. The NBSO Annual Energy Conference has become the premier industry workshop in Atlantic Canada. Having grown from 90 to 200 participants over its three year history, it informs the region of all current development opportunities and the challenges that must be met.

For 2008, this has not been a simple achievement as the Atlantic electricity sector faces significant challenges. The current energy mix is 53% fossil based at a time when fossil fuel prices are rapidly increasing and reducing green house gas (GHG) emissions by cutting back on fossil fuels is a world wide environmental and political issue. Canada is implementing a framework that will require the electricity sector to reduce its GHG emissions by 33% by 2020.

The most reasonable way for Atlantic Canada to address these challenges is to utilize more of its world class indigenous resources. Large scale wind throughout the region, biomass and tidal, Lower Churchill hydro from Newfoundland and Labrador, and Point Lepreau nuclear from New Brunswick, will provide stable priced and reliable electricity in an environmentally acceptable manner. In addition, they will increase our national security by reducing reliance on imported fuels and will bring economic development to the Atlantic economies.

But these projects have hurdles that need to be faced. The most significant is that they can not be achieved solely by any one province. They are too large to be accommodated within any one provincial power grid. Lower Churchill and Point Lepreau need power purchase agreements with external customers and large scale wind needs balancing beyond the capabilities of any one provincial system. Regional cooperation and shared contracting within the Atlantic region can overcome most of these issues and reduce the risk associated with reliance on the New England market. But the benefits are not limited to Atlantic Canada. Surplus clean energy could be exported to New England to assist them in meeting their environmental requirements and surplus GHG reductions would help Canada meet its targets.

NBSO supports regional cooperation and is working with governments as well as utilities through the Council of New England Governors and Eastern Canadian Premiers, the Northeast International Committee on Energy, and the Atlantic Electricity Working Group to improve regional operations, gain greater market harmony and develop increased transmission access that will better the region for all electricity customers.

In closing I want to thank the NBSO staff for their excellent support over my tenure as President and CEO. I retire with confidence that the organization is in good hands and will continue to provide excellent leadership to the region.

William K. Marshall
President and CEO

NEW BRUNSWICK ELECTRICITY MARKET AT A GLANCE

Number of Interconnections	6
Interconnection Import Capacity	2,164 MW
Interconnection Export Capacity	2,372 MW
Scheduled Energy Receipts	21,197 GWh
Scheduled Transmission Losses	511 GWh
Scheduled Energy Deliveries	20,686 GWh
Value of Energy Transacted (estimate based on the average Final Hourly Marginal Cost for the Year)	\$1.2 Billion
Transmission Lines	6,818 km
Peak Demand (January 22, 2008)	3,078 MW

Generating Capacity

	MW
Oil	1251
Coal	514
Natural Gas	353
Biomass	39
Hydro	893
Nuclear	635
TOTAL	4226



KEEPING THE LIGHTS ON MAINTAINING A SECURE AND ADEQUATE SYSTEM

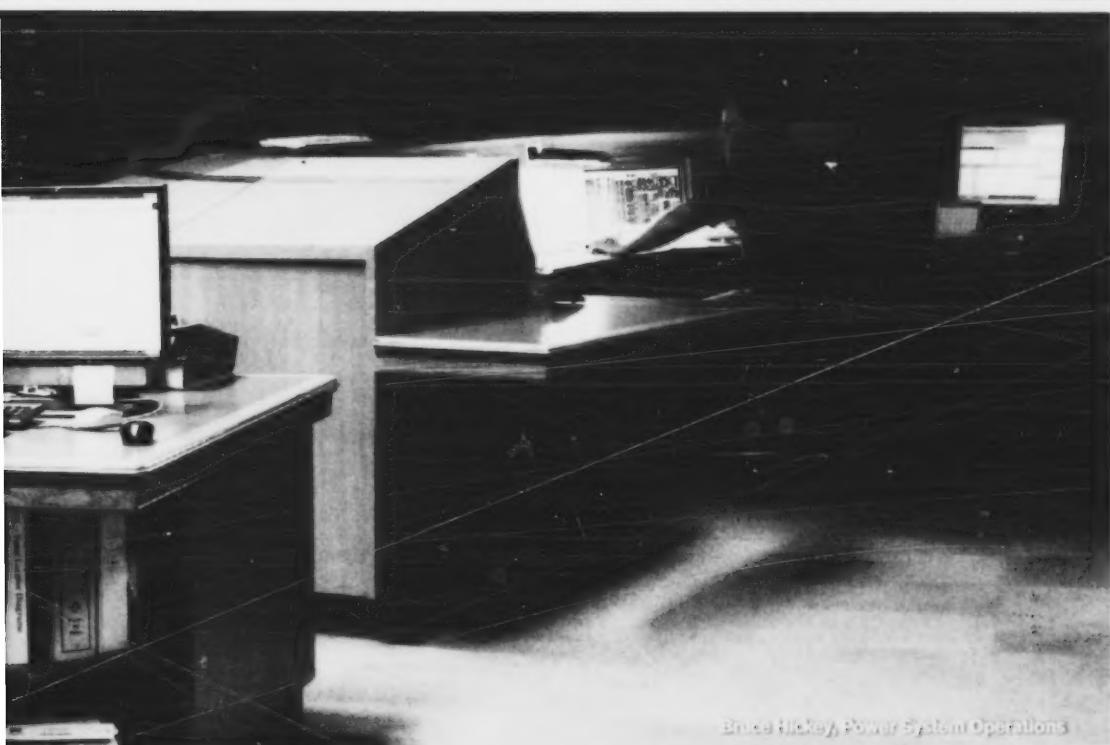
The **NERC Certified Control Room Operators** continually monitor the electricity grid, taking action when necessary to maintain scheduled flows on interconnections within established limits.

Given the level of knowledge and skills needed to perform these duties, NBSO must plan ahead to ensure adequate staffing levels. To this end, one new Power System Operator in Training became a qualified Power System Operator and one Power System Operator in Training became NERC certified.

NBSO is obligated to follow the Standards and Criteria of both the North American Electric Reliability Corporation (NERC) and the Northeast Power Coordinating Council, Inc. (NPCC) in the design and operation of the NBSO-controlled grid. In order to fulfill these operational requirements continuous training is a key focus of the Operations group. Twice yearly NBSO hosts Restoration Drills, which simulate a complete blackout and require a restart of the power system without assistance from any outside entity. Over 100 participants from the Maritimes, Maine and New England participated this year, including other system operators, utilities, and large industrial customers.

Operations Planning staff work with Transmitters and Generators to coordinate planned outages. Such outages must avoid, as much as practical, any disruption to customers and to the operations of the power system, while maximizing use of the interconnections. In December 2007, this group oversaw the successful commissioning of a new 345 kV International Power Line (IPL) between New Brunswick and New England. The new line improves the reliability of electric power supply for the Maritime provinces and northern Maine by providing a second synchronous connection to the New England electricity system.

While increasing transfer capability in both directions, the IPL also provides an additional path for electricity to flow in the event of generation contingencies in either the Maritimes or New England. In this dynamic work environment there are always challenges and NBSO is confident in the skills of its staff to maintain the secure and reliable operation of the Bulk Power System.



Bruce Hickey, Power System Operations

MAKING SURE THE LIGHTS WILL BE ON TOMORROW PLANNING FOR A RELIABLE, SECURE AND ADEQUATE POWER SYSTEM

The **Power System Engineering (PSE)** group plays a major role in power system reliability through the performance of both short term and long term planning studies. The objective of these studies is to ensure the New Brunswick power system is able to withstand the loss of any single element and still operate with enough generation to meet both load and reserve requirements.

On a daily basis, PSE staff review planned outages and forecast conditions for the day ahead with Power System Operations. This review identifies any unacceptable risk in the plan to system reliability, and adjustments to sufficiently mitigate this risk are then made accordingly.

In the longer term, PSE performs System Impact Studies (SIS) for new generation, transmission, and load projects. An SIS can involve both steady-state and dynamic analysis during winter peak and summer light load scenarios. The SIS determines the system upgrades that are necessary in order to connect the new project while adhering to standards for power quality, performance, and system reliability.

All significant new projects must undergo an SIS as required by the NBSO Connection Application process.

PSE is the NBSO point of contact for all new Connection Applications, including wind projects, to the New Brunswick transmission grid. The number of applications to add generation (mostly wind) increased from 5 to 25 in the past year.

PSE contributed to a major initiative of the NBSO this year which was the publication of "**The Second Maritimes Area Wind Integration Study**". This study provided the NBSO with enhanced knowledge of local issues associated with wind power production and recommended potential solutions to address these issues. Increasing interest in wind has also led to a corresponding increase in applications for System Impact Studies as indicated in the chart below.

The expertise of the PSE group often results in its staff acting as subject matter experts in developing and delivering presentations and training, both in-house and, by request to external entities.

System Impact Studies Completed in Fiscal 2007-2008

Type	Total MW	# Applications
Generation (Preliminary Analysis)	2560	25
Load/Point to Point (Preliminary Analysis)	615	4
Generation (System Impact Studies)	537	5
Point to Point (System Impact Studies)	1480	2

MARKET DEVELOPMENT AND SETTLEMENT

The basic terms and conditions and rates and schedules under which the New Brunswick electricity market operates are defined by the Open Access Transmission Tariff (Tariff). Market Rules and Market Procedures further define the market consistent with reliability standards.

"The Market Assessment Unit" continuously evaluates the effectiveness of the market, looking for ways to improve the design. The Unit also works to ensure compliance with the Transmission Tariff and the Market Rules.

The electricity market in New Brunswick continues to grow and build on a variety of initiatives taken on by the Market Development group. One major accomplishment this year was the development of a design to resolve an ongoing mismatch between Capacity Based Ancillary Services (CBAS) revenues and expenses. Another was the implementation of the Market Settlement and Billing System (MSB), which has added efficiencies and has enhanced settlement accuracy.

The first "**State of the Market**" report was published this year. This report summarizes the efficiencies and state of competition in the New Brunswick Electricity market which opened October 1, 2004. The report contains a number of key actions which the NBSO has committed to undertake. The complete report is available on the NBSO website www.nbso.ca. NBSO will continue to produce such a report annually.

Members of the Market Development and Settlement group also spent time providing assistance to the Northeast International Committee on Energy. That effort included working with ISO-New England to map renewable resources in the northeast, and identifying possible transmission needs. In addition, George Porter, Director, Market Development and Settlement gave a presentation to the Northeast International Committee on Energy on the progress being made on regional system operator wind integration activities.

The focus on wind power integration into the market has increased significantly in each of the past two years and that trend is expected to continue. NBSO participated in wind power studies undertaken by the Danish consulting firm Ea Energy Analyses (Ea). NBSO also took an active role in the design of a wind integration seminar for system operators within the northeast region. Participation by NBSO and other regional system operators enhanced the understanding of the potential development of wind power studies and also of various aspects of interconnection and integration.

Settlement

Each month, **Settlement** staff calculates detailed charges and credits and settle with Market Participants. This has been a busy year in the area of settlement, with the implementation of a new system, changes in market participation, and revised facility registrations. The group continues to work with Transmitters and Market Participants to enhance the assurance of metering accuracy. Improvements in quality control and service also continue to be priorities.

During the reporting period, NBSO filed an Application and supporting evidence with the National Energy Board for authorization to export emergency power and security energy. The Application is for a period of ten years over any international power line for which the Board has issued a Certificate of Public Convenience and Necessity.

Work also continued on the preparation of an Application and supporting evidence for proposed changes to the Tariff, to be filed with the provincial Regulator, the New Brunswick Energy and Utilities Board (Board), in early May 2008.

As part of the Application, NBSO will seek approval from the Board for an Order allowing an interim increase in Schedule 1 Tariff rates, effective July 1, 2008.

The proposed changes to the Tariff include:

1. Revised charges for mandatory Ancillary Service Schedule 1 and 2; moving away from fixed rates to an annual approval of Schedule 1 revenue requirement;
2. Revised charges for Capacity Based Ancillary Services (Schedules 3, 5, and 6); moving away from fixed rates to an approval of a methodology whereby customers' monthly charges are based on the actual monthly expenditures for these services; and
3. Rates for a new Regulation and Frequency Response Service to be charged to Wind generators.

It is anticipated that the Board will schedule a Fall hearing to address NBSO's application.

NBSO has also been active in neighbouring jurisdictions, having intervened in industry-related proceedings before the Maine Public Utilities Commission, the National Energy Board, the Federal Energy Regulatory Commission ("FERC"), the Island Regulatory and Appeals Commission, and the Nova Scotia Utility and Review Board. NBSO also intervened in the rate case of the New Brunswick Power Distribution and Customer Service Corporation.

MEPCO Roll-In

The commissioning of the International Power Line project in December 2007 resulted in transfer capabilities increasing from 700 MW to 1,000 MW for flows from New Brunswick to New England and from 100 MW to 550 MW for flows from New England to New Brunswick. An on-going issue before FERC relative to the treatment of reservation holders on the original transmission line connecting New Brunswick and New England has however, restricted transfer capabilities on the New England side of the interface to the lower levels noted above for commercial purposes only. Fortunately, the higher levels of transfer capability would apply with respect to reliability, such as in the case of emergency energy.

When the issue is resolved the total transfer capabilities will be 1,000 MW and 550 MW to and from New England respectively, and the firm transfer capabilities for commercial purposes will be 1,000 MW and 200 MW to and from New England respectively. The line also provides the benefit of reduced transmission line losses by virtue of being in-service.

NBSO and other intervening parties to this proceeding will continue to actively pursue a resolution to this matter.

INFRASTRUCTURE AND SYSTEM SUPPORT

NBSO is very fortunate to have a talented group of employees who not only maintain and support the computer applications and systems at the primary and backup control centres to reliably operate the bulk power system, but who also design, develop and implement new systems to meet the business needs of the NBSO.

A major accomplishment this year was the design, development and implementation of the "Automated Schedule Handler" (ASH) system, which improves efficiency by automating the interaction between Energy Schedules, the Open Access Same Time Information System (OASIS), and NERC electronic tagging.

Adding to the efficiencies of Market Operations was the development and implementation of the "Market Settlement and Billing System". Key modifications were also made to the Market Optimization & Dispatch and Energy Scheduling Systems.

In the current year, NBSO will begin the process of replacing the Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS), the suite of computing tools used by the operators to monitor and control the NBSO controlled grid. Implementation is planned for September 2009.

Critical infrastructure was upgraded with the installation of a "state of the art" fire protection system. Additionally, access control and video surveillance systems were enhanced in keeping with implementation of NERC Critical Infrastructure Protection Standards.



Eric Sears and Archie MacLean, Infrastructure and System Support

WIND POWER

The province of New Brunswick continues to expand its renewable energy portfolio and, as in many other jurisdictions, harnessing wind power has become a major focal point.

New Brunswick has a tremendous potential for wind power generation, both for local consumption and for export. The NBSO has undertaken several projects to assess the impact of adding wind to the generation mix, keeping in mind the challenges it brings including the potential impact on reliability.

In April 2007, the NBSO provided TransAlta Wind with an updated System Impact Study for the 96 MW Kent Hills Wind Project, which is currently under construction in the Kent Hills area of Albert County, NB and slated to be energized in the fall of 2008. As New Brunswick's first commercial wind farm, it will consist of 32 Vestas V90 turbines of 3MW each on 80 metre towers, with 45 metre blade length. All wind projects must meet the NBSO grid code standards related to reactive voltage support, low voltage ride-through, power quality, protection, and communications.

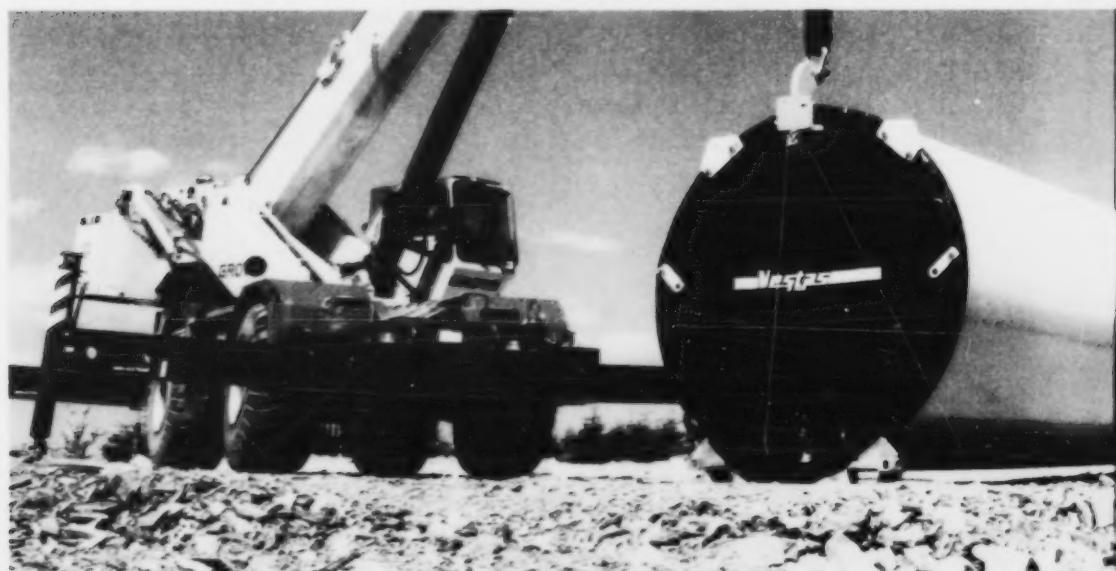
Consultants **Ea Energy Analyses (Ea)** of Denmark, a country operating with large scale wind projects, were engaged in the fall of 2007 to provide guidance to the NBSO on wind power development, interconnection, and integration. Ea reviewed the situation in New Brunswick and surrounding jurisdictions, commented on work that NBSO had already performed in the topic area, shared their knowledge, and conducted a workshop at NBSO facilities.

Phase I of the Ea project led to a Phase II proposal, sponsored by NBSO along with the New Brunswick Department of Energy. In this phase, Ea will perform scenario modeling of the regional market to assess the economic feasibility of large scale wind power development, with plans to host New Brunswick representatives on a visit to Denmark for further discussions.

Concurrently, the NBSO was also working on **"The Second Maritimes Area Wind Integration Study"**, taking a more in-depth look at the issues associated with wind power.

The Wind Energy Institute of Canada hosted "Wind Integration in the Northeast" addressing issues in the north eastern portion of North America. The NBSO not only provided input to the organizers, but participated as a presenter with several staff in attendance.

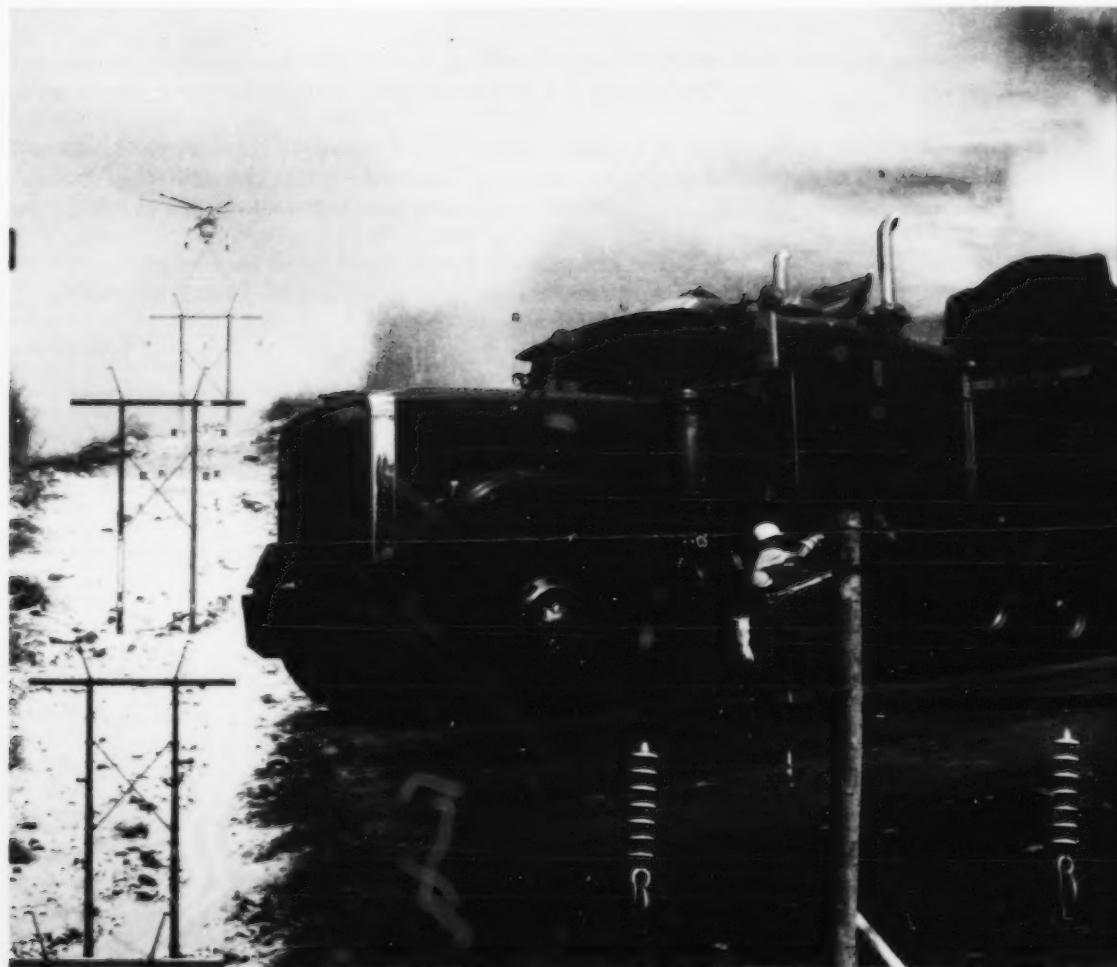
All of these initiatives will significantly advance NBSO's understanding of wind and its impact, and will greatly assist in planning for future production and integration.



The NBSO Board of Directors and the Management Team spent significant time and energy on a Strategic Plan which defines and outlines strategic priorities for the next three years. In addition to "running the business", NBSO has identified activities for both key growth and transformational opportunities. Progress will be reviewed and updated monthly and quarterly reports will be presented to the Board summarizing progress.



- 2nd Annual Information Session was held in Fredericton, New Brunswick (April 2007)
- Notice of Open Season for 300 MW of firm Point-to-Point export capacity out of or through New Brunswick at the NBSO/ISO-NE interface (MEPCO) and 300 MW of firm Point-to-Point import capacity into or through New Brunswick at the NBSO/ISO-NE interface (May 2007)
- Second Maritimes Area Wind Integration Study was completed (May 2007)
- NBSO hosted two System Restoration Drills (May 2007)
- NBSO implemented the Market Settlement and Billing System (June 2007)
- The Automated Schedule Handler (ASH) system was put into service (August 2007)



- Transmission reservations awarded based on results of the Open Season (September 2007)
- NBSO was granted a three-year extension as a NERC Continuing Education Provider (September 2007)
- State of the Market Report published (October 2007)
- Ea Energy Analyses, a consulting firm from Denmark, was engaged to provide guidance to the NBSO on wind power development, interconnection, and integration based upon their extensive hands-on experience in Europe (November 2007)
- The International Power Line IPL/Northeast Reliability Interconnect (NRI) was energized and placed in service (December 2007)



LOOKING TO THE FUTURE AND THE CHALLENGES AHEAD

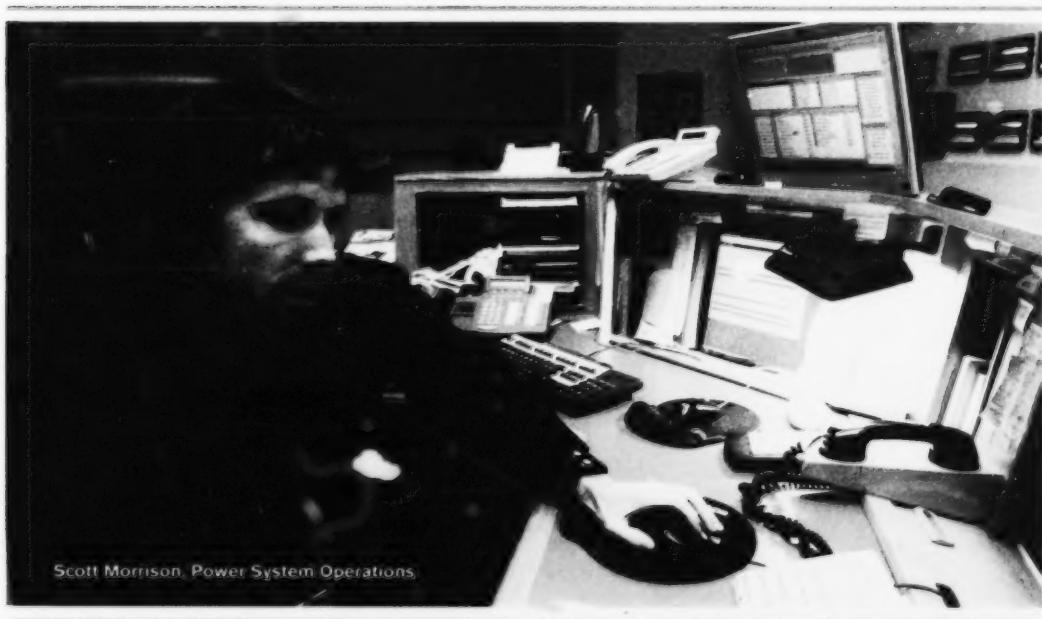
The electricity industry throughout North America is being confronted with volatile and rising fossil fuel prices, increasing environmental requirements, especially reduction of carbon emissions, aging transmission and generation infrastructure, and a workforce that is rapidly nearing retirement. NBSO is not exempt from these challenges and is positioning itself to deal with them.

NBSO's highly skilled workforce has a solid NERC certified training program that will enable it to recruit and prepare new hires. While New Brunswick and the Maritimes region is highly dependent on fossil fuels, there are many opportunities for new carbon free and low carbon generation additions – nuclear, wind, biomass, hydro and gas co-generation. These initiatives will not just meet the needs of New Brunswick, but will also provide surplus clean energy exports to neighbouring regions and drive interests to expand and reinforce the NBSO transmission system and its interconnections.

In preparation for this future development, NBSO hosted its third annual Energy Conference in Saint John in May 2008 and focused its program on the issues ahead. An attendance of near 200 participants confirmed major interest in future developments.

In its short term future, NBSO must make adjustments to the rates and methods of charging for ancillary services in its transmission tariff. An application to the Energy and Utilities Board was filed May 1, 2008 that will require attention through much of 2008. Also the first President and CEO of NBSO, William K. (Bill) Marshall will be retiring at the end of June and his expertise will need to be replaced. A nationwide search is underway and a new CEO should be in place by late summer.

For the long term future, NBSO accepts its role to assist the Province in fulfillment of its intention to make New Brunswick the "Energy Hub" of the region. Studies to build on the Ea Energy Analysis work, consider new transmission expansions, and determine system impacts of proposed generation projects are being initiated and will escalate. The alignment of system planning and design efforts with neighbouring jurisdictions in Canada and the United States must increase if efficient integration of new resources is to be accomplished. NBSO welcomes this challenge and will continue to pursue closer regional cooperation.



NBSO BOARD OF DIRECTORS AND CORPORATE OFFICERS

Curtis Howe, P.Eng.
| Chairman |

President, Mariner Partners, Inc., Saint John, NB



Robert W. Saintonge
| Chair, Human Resources Committee |

Financial Consultant and Former Deputy Minister,
Province of New Brunswick



Bill McMackin | Chair, Audit Committee |
Retired Partner - KPMG Chartered Accountants



Anne Hickey | Board Member |
Labour Market Information Analyst
Service Canada
Member, Audit Committee



Brian H. Curry, CA | Board Member |
Retired Partner, Curry & Betts,
Chartered Accountants
Member, Human Resources Committee



William K. Marshall, P.Eng.
President and CEO



Kevin C. Roherty, BBA, LL.B.
| Secretary and General Counsel |





Blair Kennedy

Chair

The **Market Advisory Committee (the "MAC")** is an important part of the electricity market structure and it played a key role during the fiscal year 2007/08 by ensuring that a coordinated, consistent and effective voice of the market stakeholders was presented to the NBSO Board of Directors. The MAC provided input and recommendations on the following matters pertaining to the functions of the NBSO under the Electricity Act, the Market Rules and the Open Access Transmission Tariff (Tariff):

1. The Maritimes Area Wind Power Integration Study Summary Report (April 2007)
2. The Proposed Revisions to the Market Rules
 - Provide Adequacy Assessments semi-annually, not quarterly
 - Publish updated Load Forecasts hourly
 - Publish Current Scheduled and Actual Tie Flows
 - Coordinate Scheduling deadlines for Interconnects (Ties)
 - Publish Annual Market Monitoring Reports rather than quarterly and seek market participant input to the Market Assessment Report
 - Provide Monthly procurement of Capacity Based Ancillary Services (CBAS) rather than hourly
3. The NBSO's proposed changes to the Tariff including reviews of their Straw Man Model for the Alignment of CBAS Rates, Obligations, Revenues and Expenses.

MAC Members

NB Power Distribution and Customer Service Corporation - Blair Kennedy (Chair)

NB Power Transmission Corporation - Brian Scott

NB Power Generation Corporation - Kirby O'Donnell

Alternative Generator Class - Robert Apold, Suez Renewable Energy (NA)

Non-Eligible Customers - Vacant

Large Industrials Directly Connected to Transmission - Ron Beaulieu, Fraser Papers Canada Inc.

Self-Generation - Andrew Booker, Lake Utopia Paper

Non-NBP Distributors - Dan Dionne, Village of Perth-Andover

Independent Generators - Stacy Dimou, Oxbow-Sherman Energy

Transmission - Ron LeBlanc, Maritime Electric Company Limited (Vice-Chair)

Environmental Interests - Vacant

Marketers - Ed Howard, Integrys Energy Services Inc.

Energy Efficiency & Conservation Agency - Lesley Rogers

New Brunswick System Operator - George Porter

William K. Marshall, P.Eng.
President and CEO



Kevin C. Roherty, BBA, LL.B.
Secretary and General Counsel



Lynne West, CMA
Controller



George Porter, P.Eng.
Director, Market Development & Settlement



Alden Briggs, P.Eng.
Director, Power System Engineering



Jane Murray, MEd.
Manager, Training

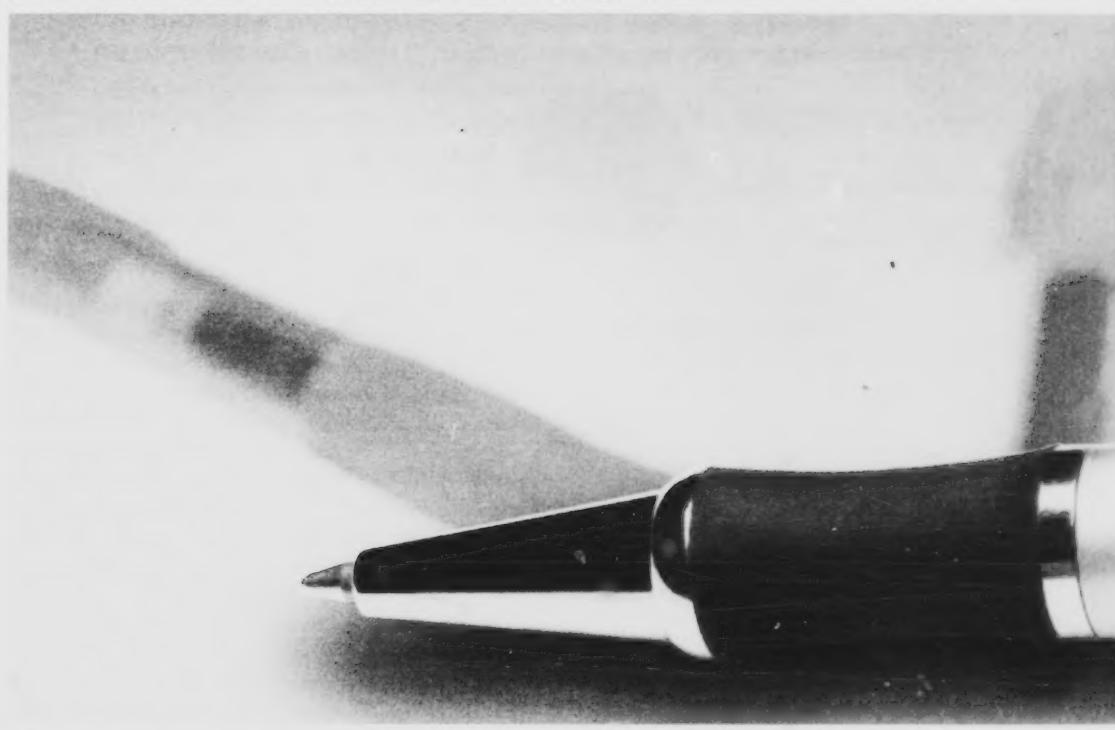


Boss Stairs
Director, Power System Operations



Dave Daley, P.Eng.
Director, Infrastructure & System Support





PricewaterhouseCoopers LLP

July 14, 2008

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Auditors' Report

To the Board of Directors of
New Brunswick System Operator

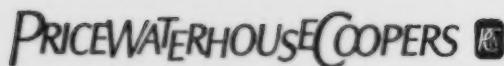
We have audited the balance sheet of New Brunswick System Operator (NBSO) as at March 31, 2008 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of NBSO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted audit standards. These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves examining evidence provided by those charged with governance, assessing the appropriateness of accounting policies and estimates, and evaluating the overall financial statement presentation.

*PricewaterhouseCoopers LLP
Chartered Accountants*

New Brunswick System Operator

Financial Statements
March 31, 2008
(in thousands of dollars)



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Facsimile +1 (506) 632 8997

July 14, 2008

Auditors' Report

To the Board of Directors of New Brunswick System Operator

We have audited the balance sheet of **New Brunswick System Operator** (NBSO) as at March 31, 2008 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of NBSO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

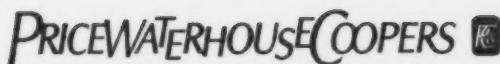
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of NBSO as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.



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MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The financial statements of the New Brunswick System Operator (NBSO) were prepared by management, in accordance with Canadian generally accepted accounting principles which involve the use of significant accounting judgments and estimates in selecting and applying appropriate accounting principles.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains systems of internal controls necessary to provide reasonable assurance that the accounting records are reliable, and that NBSO's assets are properly safeguarded. Internal Audit conducts reviews to ensure that the corporation's internal controls and procedures are adequate, consistent and applied uniformly.

The independent audit firm of PricewaterhouseCoopers LLP, Chartered Accountants, has audited and reported on the financial statements. Their opinion is based on their audit conducted by them in accordance with Canadian generally accepted auditing standards to obtain reasonable assurance that the financial statements are free of material misstatement.

The Board of Directors is responsible for evaluating management in the performance of their financial reporting responsibilities, and has approved these financial statements. The Board of Directors reviews and recommends approval of the financial statements and meets periodically with management, the independent auditors and the internal auditor, concerning internal controls and all other matters relating to financial reporting.

Kevin Roberty
Kevin Roberty
Acting President and Chief Executive Officer

Curtis Howe
Curtis Howe
Chairman

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New Brunswick System Operator

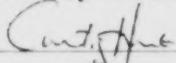
Balance Sheet

As at March 31, 2008

(in thousands of dollars)

	2008 \$	2007 \$
Assets		
Current assets		
Cash	3,364	1,970
Accounts receivable	10,329	11,077
Prepaid expenses	89	95
	<hr/> 13,782	<hr/> 13,142
Property, plant and equipment (note 3)	2,744	2,739
	<hr/> 16,526	<hr/> 15,881
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	10,450	10,760
Deferred regulatory liabilities (note 4)	3,019	2,172
Current portion of capital lease obligations (note 5)	84	72
	<hr/> 13,553	<hr/> 13,004
Accrued benefit liability (note 6)	313	210
Obligations under capital lease , net of current portion (note 5)	2,660	2,667
	<hr/> 16,526	<hr/> 15,881

Approved by the Board of Directors



Chairman



Director

New Brunswick System Operator
 Statement of Operations and Changes in Net Assets
For the year ended March 31, 2008

(in thousands of dollars)

	2008 \$	2007 \$
Revenues		
Transmission:		
Point-to-point tariff	27,553	24,702
Network tariff	50,725	51,867
Power factor penalty	1,751	1,170
Ancillary services	80,029	77,739
Miscellaneous	16,657	14,715
	881	914
	<u>97,567</u>	<u>93,368</u>
Expenses		
Transmission	80,029	77,739
Ancillary services	7,067	6,517
Operation, maintenance and administration	7,576	6,954
Amortization	72	65
	<u>94,744</u>	<u>91,275</u>
Other income (expense)		
Interest income	148	38
Interest expense on capital lease	(252)	(259)
	<u>(104)</u>	<u>(221)</u>
Deferral of regulatory liabilities	<u>(2,719)</u>	<u>(1,872)</u>
Net profit for the year and net assets	<u>—</u>	<u>—</u>

New Brunswick System Operator

Statement of Cash Flows

For the year ended March 31, 2008

(in thousands of dollars)

	2008 \$	2007 \$
Cash provided by (used in)		
Operating activities		
Net profit for the year	—	—
Items not affecting cash		
Amortization	72	65
Net change in non-cash working capital items	1,291	1,150
Net change in accrued benefit liability	103	97
	<hr/> 1,466	<hr/> 1,312
Financing activities		
Principal repayments under capital lease	<hr/> (72)	<hr/> (65)
Net increase in cash during the year	1,394	1,247
Cash – Beginning of year	<hr/> 1,970	<hr/> 723
Cash – End of year	<hr/> 3,364	<hr/> 1,970
Cash flows from operating activities include		
Interest received	148	38

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

1 Nature of operations

New Brunswick System Operator ("NBSO") is an independent, not-for-profit entity responsible for directing the operation of the transmission system, administering the Open Access Transmission Tariff (OATT), and is the reliability coordinator for the Maritime area.

NBSO has its own independent Board of Directors and its functions are carried out by the employees located at New Brunswick Power Transmission's (NBPT) Energy Control Centre, 77 Canada Street, Fredericton, NB. Some are direct employees of NBSO (10) while the remainder (approximately 37) are seconded under contract from NBPT.

Income arising from the operation of NBSO is exempt from federal and provincial income taxes.

2 Significant accounting policies

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies.

Regulation

NBSO is subject to regulation by the New Brunswick Energy and Utilities Board (EUB) (formerly the New Brunswick Public Utilities Board). The regulations cover such matters as tariff rates and accounting policies. NBSO's accounting policies conform to generally accepted accounting principles in the electricity transmission industry in Canada and also reflect the policies prescribed by the EUB. Costs and credits are deferred on the balance sheet as regulatory assets and liabilities for amounts which would otherwise be included in earnings, when authorized to do so.

Revenue recognition

Monthly settlements of market participants' energy imbalance and residual monthly costs are not reflected in NBSO's Statement of Operations since they do not represent revenues or expenses of NBSO as NBSO merely acts as an intermediary in the settlement process. In this role, NBSO receives and disburses funds to from market participants in the month following the month transactions occurred.

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

2 Significant accounting policies (continued)

Revenue recognition (continued)

NBSO's approved tariff, the OATT, allows recovery of NBSO's operating expenses through Schedule I services provided to market participants. The revenue from Schedule I is earned monthly, weekly, daily or hourly dependent upon transmission reservations. Market participants are then billed for such services in the subsequent month.

Transactions from bilateral contracts between market participants are not included as transactions of NBSO.

Ancillary services and other miscellaneous revenues are recognized as the related services are provided.

Transmission revenues, ancillary service revenues, energy imbalances and residual monthly costs are calculated based on metering data provided by market participants and transmitters. The accuracy of these amounts is dependent upon third party meter data collection, estimation and validation procedures which are not the responsibility of NBSO.

Property, plant and equipment

NBSO has an arrangement with NBPT in which it leases the Energy Control Centre, which has been treated as a capital lease in accordance with the recommendations of EIC 150 "Determining whether an arrangement contains a lease". This property, plant and equipment is carried at cost less accumulated amortization. Amortization has been computed at rates equal to the principal lease repayments using the effective interest method, which is sufficient to amortize the cost of the property, plant and equipment over their estimated useful lives as follows:

Buildings	32 years
Equipment	7 years
Security system	10 years

Foreign exchange transactions

Foreign currency revenues and expenses are translated into Canadian dollars at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting foreign currency exchange gains and losses are included in the determination of net income for the year.

Cash

Cash consists of cash and short-term deposits with original maturities of three months or less held with banks.

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

2 Significant accounting policies (continued)

Employee benefit plans

Benefit obligations for defined benefit post-retirement plans are determined by independent actuaries using the project benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees.

The benefits charge or credit recognized consists of:

- the aggregate of the actuarially computed cost of benefits provided in respect of the current period's service;
- imputed interest on the accrued benefit obligation;
- the amortization of past service costs from plan amendments, over the average remaining service period of employees active at the date of amendment; and
- the amortization of experience gains or losses, in excess of 10% of the accrued benefit plan obligation at the beginning of the period over the average remaining service period of employees.

Defined contribution plan accounting is applied to multi-employer defined benefit pension plans for which the NBSO has insufficient information to apply defined benefit plan accounting. The benefit cost is the NBSO's required contributions to the plan.

Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Recently adopted accounting standards

Financial instruments and hedging

On April 1, 2007, NBSO adopted four new accounting standards issued by the Accounting Standards Board (AcSB): (i) Section 3251 "Equity"; (ii) Section 3855 "Financial Instruments – Recognition and Measurement"; (iii) Section 3861 "Financial Instruments – Disclosure and Presentation"; and (iv) Section 3865 "Hedges".

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

2 Significant accounting policies (continued)

Recently adopted accounting standards (continued)

Financial instruments and hedging (continued)

Section 3855 prescribes how financial instruments are to be recognized. Depending on the classification, changes in subsequent measurements are recognized in income or net assets. Financial instruments must be classified as held for trading (HFT), held to maturity (HTM), loans and receivables, available for sale (AFS) financial assets or other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value, except for those classified as loans and receivables, HTM investments and other financial liabilities, which are measured at amortized cost using the effective interest rate method. Changes in fair value of HFT financial instruments are recorded directly in net income where as changes in the fair value of AFS financial assets are recorded directly in the statement of changes in net assets.

NBSO financial assets and liabilities are classified as follows:

- Cash resources are classified as "Financial Assets Held for Trading" and are carried at fair value with changes in fair value reflected in income each period;
- Accounts receivable are classified as "Loans and Receivables". After their initial fair value measurement they are measured at amortized cost using the effective interest method; and
- Accounts payable, deferred regulatory liabilities and capital lease obligations are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

Section 3861 establishes standards for the presentation of financial instruments and non-financial derivatives and identifies the related information that should be disclosed.

Section 3865 describes when and how hedge accounting can be applied. NBSO does not have any hedging relationships.

Section 3251 establishes standards for the presentation of each component of equity.

These new standards have been applied retroactively without restatement. No adjustments were required by NBSO upon initial application of the new standards.

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

2 Significant accounting policies (continued)

Future accounting policy changes

The AcSB has issued new accounting standards: (i) Section 1535 "Capital Disclosures"; (ii) Section 3862 "Financial Instruments – Disclosures"; and (iii) Section 3863 "Financial Instruments – Presentation" which are applicable to NBSO's 2009 fiscal year. The AcSB has also issued new accounting standards relating to rate regulated operations which are applicable to NBSO's 2010 fiscal year. The following provides more information on each new accounting standard.

Capital Disclosures

This new standard requires disclosure of NBSO's objectives, policies, and processes for managing capital; quantitative data about what NBSO regards as capital; whether NBSO has complied with any capital requirements; and, if NBSO has not complied, the consequences of such non-compliance. The new accounting standard covers disclosure only and will have no effect on the financial results of NBSO.

Financial Instruments – Disclosures and Presentation

These new standards replace accounting standard Section 3861 "Financial Instruments – Disclosure and Presentation". Presentation requirements have not changed. Enhanced disclosure is required to assist users of the financial statements in evaluating the significance of financial instruments on NBSO's financial position and performance, including qualitative and quantitative information about NBSO's exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and will have no effect on the financial results of NBSO.

Rate-Regulated Operations

The temporary exemption in Section 1100 "Generally Accepted Accounting Principles" pertaining to the application of the section to the recognition and measurement of assets and liabilities arising from rate regulation has been removed. As a result of the revised standard, any deferred regulatory liabilities that do not qualify for recognition as liabilities under generally accepted accounting policies will need to be derecognized when this revised standard is adopted.

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

3 Property, plant and equipment

			2008	2007
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Building	2,414	41	2,373	2,388
Equipment	445	151	294	351
Security system	77	—	77	—
	2,936	192	2,744	2,739

The above assets represent the assets of the Energy Control Centre leased from NBPT (note 5).

4 Deferred regulatory liabilities

The following regulatory liabilities were included in the "Deferred Regulatory Liabilities" line on the balance sheet:

	Unforeseen future events \$	Surplus (Deficit) \$	Total \$
March 31, 2007	300	1,872	2,172
Distributions in year	—	(1,872)	(1,872)
Deferrals in year	—	2,719	2,719
March 31, 2008	300	2,719	3,019

The PUB approved the retention by NBSO of \$300 to cover unforeseen future events. As a result, this amount of the surplus has been deferred in accordance with the PUB's decision. Any expenditures to be applied against this reserve must now be approved by the EUB.

In addition, the PUB decided that it is not appropriate for NBSO as a not-for-profit entity to have a surplus or a deficit. The surplus of \$1,872 reported in 2007 was distributed to market participants in January 2008, and the current years surplus has been deferred and is expected to be rebated later in calendar 2008.

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

5 Obligations under capital lease

Effective April 30, 2005, NBSO entered into an agreement with NBPT under which NBSO became responsible for the full cost of the Energy Control Centre. This arrangement has been accounted for as a capital lease. At the commencement of this arrangement, the assets of the ECC amounted to \$2,859. Interest is being charged at 9.32% and monthly payments of principal and interest amount to \$20 for the building and \$7 for the equipment. During the year, the agreement was expanded to include a newly installed security system with a cost of \$77 for which interest is being charged at 9.08% with monthly principle and interest of \$1.

The minimum annual lease payments under this arrangement are as follows:

	\$
Year ending March 31, 2009	336
2010	336
2011	336
2012	336
2013	336
Thereafter	<u>5,688</u>
	7,368
Less: imputed interest	<u>4,624</u>
	<u>2,744</u>
Due in less than one year	84
Due after one year	<u>2,660</u>
	<u>2,744</u>

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

6 Employee future benefits

NBSO has the following plans providing pension and other post employment benefits to its employees.

Pensions

NBSO's employees participate in a multi-employer contributory defined benefit pension plan, administered by the Province of New Brunswick under the Public Service Superannuation Act ("PSSA"). The plan provides pensions to employees of the Provincial Government and certain Crown corporations and agencies based on length of service and highest successive five-year average salary.

The plan was 92.1% funded as of April 1, 2006, the date of the most recent external valuation of the plan. The Province has advised participating corporations that the unfunded liability is being funded through annual escalating payments. Payments by NBSO to the plan during the year to March 31, 2008 were \$90 (2007 - \$76), and future payments, if required, will increase by the annual growth in CPI plus 2%. Future actuarial valuations may change the funding requirement.

Executive supplemental pension benefits

NBSO also has an unfunded, non-contributory pension plan that provides supplemental pension benefits over and above those provided by the PSSA to certain designated executives.

Retirement allowances

The retirement allowance program is an unfunded non-contributory plan that provides a lump-sum payment upon retirement equal to one week of pay for each full year of employment to a maximum of 26 weeks of pay for employees and two weeks of pay for each full year of employment to a maximum of 250 days of pay for certain designated executives. Previous years of employment with the Provincial Government and certain Crown corporations and agencies qualify toward the participants entitlements under this plan.

Other post retirement benefits

Employees of NBSO are entitled to a life insurance benefit of \$15 payable in the event of death after retirement. In addition, executives who retire after age 60 are entitled to an extension of their group benefits to age 65 at NBSO's expense.

The net benefit cost recognized during the year to March 31, 2008 in relation to the executive supplemental pension benefits, retirement allowances and other post retirement benefits plans was \$102 (2007 - \$98). No payments were made to beneficiaries of these plans during the year (2007 - \$nil).

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

6 Employee future benefits (continued)

Other post retirement benefits (continued)

Information about NBSO's executive supplemental pension benefits, retirement allowances and other post retirement benefit plans as at March 31, 2008 (measurement date) based on extrapolations of actuarial valuations prepared as at April 1, 2007 (2007 - April 1, 2006) for accounting purposes are as follows:

	2008 \$	2007 \$
Accrued benefit obligation	533	385
Unamortized past service costs and actuarial losses	(220)	(175)
Accrued benefit liability	313	210

The significant actuarial assumptions adopted in measuring NBSO's accrued benefit obligation and net benefit cost for the executive supplemental pension benefit, retirement allowance and other post retirement benefit plans are as follows:

	2008	2007
Discount rate at end of year used to determine the accrued benefit obligation	5.25%	5.25%
Discount rate at beginning of year used to determine the net benefit cost	5.25%	5.25%
Rate of compensation increase at end of year to determine the accrued benefit obligation	2.50%	2.50%
Rate of compensation increase at beginning of year used to determine the net benefit cost	2.50%	2.50%

A 9% and 5% annual rate of increase in per capita costs of covered medical care and dental benefits respectively has been assumed for 2008. Medical cost inflation is assumed to decrease to 5% by 2012 and remain at that level thereafter.

7 Financial instruments

Fair value

NBSO's financial statements include cash, accounts receivable and payable, deferred regulatory liabilities and capital lease obligations. Due to the short-term maturity of cash, accounts receivable and payable the carrying value of these instruments are reasonable estimates of their fair value. The fair value of deferred regulatory liabilities has not been determined as it cannot be readily measured as there are no specified repayment terms. The fair value of the capital lease obligations payable to NBPT is affected by changes in the prevailing level of interest rates. NBSO has not entered into any financial instruments to hedge the fair value exposure associated with this item. The carrying value of this obligation is believed to be a reasonable approximation of its fair value.

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

7 Financial instruments (continued)

Credit risk

Financial instruments which potentially subject NBSO to concentrations of credit risk primarily consist of accounts receivable billings due from market participants, the majority of which relates to 2 customers, namely New Brunswick Power Generation and New Brunswick Power Distribution and Customer Service for \$7,639 (2007 - \$9,550). No allowance has been provided for accounts receivable at March 31, 2008 as management considers all accounts receivable to be probable of collection. NBSO's tariffs establish specific periods for the adjustment of settlement invoices as originally billed and for challenges to amounts billed for a particular service month.

Subsequent invoices issued during the settlement adjustment period "true up" amounts previously billed. After all true up invoices are issued during the settlement adjustment period, market participants may challenge the amounts billed for a particular service month. If NBSO agrees with the provisions of the challenge, a final invoice is issued for that service month. As a result, NBSO is exposed to credit risk until all settlement adjustments and final invoices for each service month are finalized and liquidated. However, NBSO is allowed to recover bad debt losses from the remaining market participants in future billings.

As per OATT, Section 7.1, each invoice shall be subject to adjustment for any errors in calculations, meter readings, estimating or otherwise up to twelve months after the date of original issuance. These invoices may be challenged by market participants up to 10 days after the date of original issuance.

Interest rate risk

NBSO is exposed to interest rate risk as future changes in the prevailing level of interest rates affects the cash flows associated with its cash. NBSO has not entered into any financial instrument contracts to hedge this interest rate exposure.

Currency risk

NBSO is subject to minimal foreign exchange risk as less than 1% of its revenues and less than 1% of its expenses are denominated in foreign currencies. NBSO has not entered into any foreign exchange contracts to minimize the effects of foreign exchange fluctuations on its operations or these financial statements.

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

8 Economic dependence on related parties

NBSO has entered into the following agreements and contracts with the NB Power group of companies, which are related through common ownership by the Province of New Brunswick.

Operating agreement with transmitters

In order to be able to comply with the provisions of the Electricity Act and the Market rules, NBSO has entered into agreements with transmitters to direct the operation of the Transmission system, direct the operation and maintain the reliability of the System Operator controlled grid and maintain the reliability of the integrated electricity system. Tariff charges collected and remitted to NBPT for the year to March 31, 2008 amounted to \$79,890 (2007 - \$77,597).

Agreement for the secondment of employees from NBPT

In order for NBSO to fulfill the tasks and functions necessary to meet its responsibilities under the Electricity Act, designated employees of NBPT who work at its Energy Control Center are seconded to NBSO. Under the terms of the agreement NBSO is responsible for the full cost of the Energy Control Centre and its employees. For the year ended March 31, 2008, NBSO remitted \$5,154 (2007 - \$5,025) to NBPT. The current agreement ends March 31, 2013. Unless written notification of termination is given by either party on or before the commencement of the last year of the contract period, the agreement is renewed for a further five years, to a maximum of four more renewals (March 23, 2033).

Services agreement with NBPT

NBPT agrees to provide certain services (e.g. human resources, payroll, benefits administration, business information systems, etc.) for the direct employees of NBSO plus the members of NBSO Board of Directors. The current agreement ends March 31, 2009. Unless written notification of termination is given by either party on or before September 30, 2008 the agreement will automatically renew for a one year period. In subsequent years, renewal will be automatic unless written notice of termination is given on or before September 30 of the previous year. NBPT charged NBSO \$49 (2007 - \$37) for such services during the year ended to March 31, 2008.

Ancillary services contracts with NB Power Generation NB Power Nuclear and NB Power Colson Cove

The market rules require that NBSO obtain ancillary services under contract from Market Participants for registered facilities. The contract terms are tied to the estimated shutdown dates of the contracted facilities. Amounts paid to these parties during the year ended March 31, 2008 for such contracts amounted to \$7,067 (2007 - \$6,517).

New Brunswick System Operator

Notes to Financial Statements

For the year ended March 31, 2008

(in thousands of dollars)

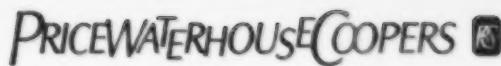
8 Economic dependence on related parties (continued)

Service agreement for Network Integration Transmission Service

NBSO agrees to provide and NB Power Distribution and Customer Service agrees to take and pay for Network Integration Service in accordance with the provisions of Part III of the Tariff and this agreement. Service under this agreement can be terminated by either party, upon the expiration of 12 months written notice to the other party. Revenues under this agreement amounted to \$50,313 (2007 - \$51,464) for the year ended March 31, 2008.

In addition to the above agreements, transmission tariff revenues include \$19,340 (2007 - \$19,609) charged to the NB Power group of companies, as market participants.

At March 31, 2008, accounts receivable included \$7,807 (2007 - \$9,760) and accounts payable and accrued liabilities included \$8,449 (2007 - \$8,867) due from to the NB Power group of companies respectively.



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July 14, 2008

Additional Comments of Auditors

Energy imbalance and residual monthly costs are presented as supplementary information only. In this respect, they do not form part of the financial statements of New Brunswick System Operator (NBSO) for the year ended March 31, 2008 and hence are excluded from the opinion expressed in our report dated July 14, 2008 to the Board of Directors on such financial statements. The information in these schedules has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of NBSO and, in our opinion, is fairly presented in all respects material to those financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

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New Brunswick System Operator

Supplemental information (unaudited)

For the year ended March 31, 2008

(in thousands of dollars)

Energy imbalance and residual monthly costs

The total energy imbalance and residual monthly costs that represent the settlement of the transactional volume of energy and energy related products in NBSO's market during the year ended March 31, 2008 amounted to \$29,371 (2007 - \$18,164). The above amounts include \$25,349 (2007 - \$16,478) credited to and \$26,872 (2007 - \$16,735) charged to the NB Power group of companies.









For more information on The New Brunswick System Operator go to
www.nbso.ca